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Of The Grape-Wine Industry In Ohio

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ECONOMIC CONSIDERATIONS OF THE GRAPE-WINE INDUSTRY IN OHIO

By E. T. Shaudys*

The Wall Street Journal, March 1 edition, reported that important changes are occurring in U.S. wine consumption. Two years ago, the trade publication, "Wines and Vines," predicted that the consumption of carbonated and flavored wines had reached a peak. Since this prediction, flavored and carbonated wines have developed into one of the "hottest" segments of a booming industry. "Wines and Vines" gleefully acknowledged their prediction to be wrong. The "softdrink generation" is making the transition from soft-drink beverages to "pop" wines and causing the U.S. grape-wine industry to boom.

Relatively cheap price of these wines and the ease of serving "ready made" punch adds appeal. Names such as Apple Zappel, I Love You, Key Largo, and Strawberry Delight are part of the campaign to focus on the youth market. The transition from softdrinks to the heavy burgandy wines heretofore available was severe and discouraging to many. The easy taste transition from "soft-drinks" to "pop" wines is encouraging the young generation to develop a taste for wine. Later, this segment of our population is expected to graduate to the table wine consumption. This is especially important to the Ohio grape and wine industry as many Ohio grown grape varieties are used for the production of table wines.

"Pop" wines were first accepted in a moderate manner. Early predictions were that "pop" wine consumption would peak at about 15 million gallons a year in the U.S. However, actual consumption increased from 14 million gallons in 1968 to over 25 million gallons in 1970; an increase of 80 percent in a period of two years.

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Wine consumption by the U.S. population is minimal compared to that of many European countries. For example, annual consumption in Italy is reported at 45 gallons and in France at 41 gallons for each man, woman, and child. Encouraging the consuming public of the U.S. to develop a taste for wine, presents a challenge to the industry.

The consumption of all types of wine in the U.S. during the year 1967 was in excess of one gallon per capita annually and is projected to reach two gallons per capita by 1980. Manufacture of all types of wine during 1970 in the U.S. was in excess of 250 million gallons with a projected consumption of 400 million gallons by 1980.^{1/}

Consumption of sparkling, flavored wines has been increasing at about 18 percent per year and contributes to the healthy optimism of the industry. Production of these wines was 19 million gallons in 1970 and is projected at 50 million gallons by 1980.

Table wine consumption in the U.S. varies greatly by regions. For example, Ohio consumption increased from .20 gallons in 1955 to .26 gallons per adult in 1967. California reported a consumption increase from .68 gallons in 1955 to 1.02 gallons per adult in 1967.

CONSUMPTION OF TABLE WINES
(gallons per adult)

State	1955	1967
Ohio	.20	.26
Illinois	.30	.44
New York	.46	.71
Washington, D. C.	1.04	1.69
Nevada	.68	.95
California	.68	1.02

^{1/} "Outlook for the California Wine Industry," Bank of America, Economics Department, October, 1970.

Dry table wines accounted for about 137 million gallons in 1970 with a 1980 projection of 270 million gallons.

Production of the dessert wines (over 14 percent alcohol) is predicted to decline slightly during the same period. For example, in 1970, 97 million gallons of dry table wines were produced, but this demand is expected to decline to 80 million gallons by 1980. Brandy consumption was at 13 million gallons in 1970 with a 1980 projection of 22 million gallons.

Production of grapes for wine tends to be concentrated in the West Coast states, especially California. Many California vineyard owners are realizing severe competition for land. Urbanization pressures are causing some grape producers to consider other locations. The Yakamia Valley of Washington is rapidly developing into a very important grape producing area. In Ohio, the Lake Erie area has been and continues to be a major production location. New developments in the Ohio River Valley are being carefully watched by the industry.

Yields of 18-20 tons per acre are realized in California. It is anticipated that with irrigation, yields of 14-16 tons may be produced in the Yakamia Valley. Ohio per acre yield of 4 to 8 tons are less than for the West Coast producing areas, but prices received are much higher. California wine grape prices were reported at an average price of \$80 per ton in 1969. The average price for all types of Ohio grapes sold during 1969 was \$185 per ton.^{2/} With a yield of 4 tons per acre, an Ohio vineyard could produce a gross value of \$740 and at 6 tons, \$1,110 compared to California at \$1,440. Ohio production cost estimates indicate per acre cost of \$500 which compares favorably with New York and other grape producing areas in the region.

Some Ohio vineyard owners have developed wineries for processing their own and locally produced grapes. Grapes and wine are sold at the vineyard

^{2/} "Agricultural Statistics," U. S. Department of Agriculture, May, 1970.

and at nearby retail outlets which enhances the return potential to the operator.

The coordination of processing and marketing of Ohio grapes is vitally needed to develop the full market potential of the industry in an effective manner. Ohio grape and wine producers can benefit from a unified advertising and promotional effort with recognized labels and merchandising methods. Such labels and markets can be developed for grapes grown, processed, and distributed locally as well as to attract a nationally recognized product image.

With the rapid developing taste for wine in the U.S., many of the large food processing, pharmaceutical, and distillary organizations are seeking ownership of wine producing facilities. It has been reported that some acquisitions have been at prices of 25 times earnings. This is yet another evidence of the optimism for the industry. With processing units as small as 50-gallon casks, fairly small wineries can be competitive production units. Ohio producers, by working together in the processing and merchandising of these wines, can greatly benefit profit potential and facilitate the development of an attractive agricultural industry.

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